

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 L-03

CIAE-00 INR-07 NSAE-00 OES-06 /073 W

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R 050654Z MAR 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9590

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E.O. 1165/: N/A

TAGS: BIDS, ENRG, ID

SUBJECT: ETHYL CORP.-PERTAMINA CONTRACT DISPUTE

REF: STATE 042110

1. EMBASSY FAMILIAR WITH ETHYL-PERTAMINA DISPUTE HAVING MET SEVERAL TIMES WITH COMPANY'S ASIAN REP BASED IN MANILA (DIXON) PLUS CORPORATE OFFICERS FROM BATON ROUGE LAST FALL. IN SEPTEMBER, EMBOFF DISCUSSED MATTER WITH GEN. SUDARNO, THEN HEAD OF PERTAMINA'S PROCESSING AND REFINING DIRECTORATE.

2. BASIC PROBLEM AT THIS END STEMS FROM ETHYL'S PREVIOUS ASSOCIATION WITH SINGAPORE BUSINESSMAN ROBIN LOH WHO SERVED AS COMPANY'S AGENT. LOH WAS PERSUASIVE IN GETTING ETHYL ITS CONTRACT WITH FORMER PERTAMINA PRESIDENT IBNU SUTOWO. HOWEVER, IN WAKE OF PERTAMINA FINANCIAL CRISIS, SEVERAL SUTOWO-LOH DEALS CAME UNDER CLOSER GOI SCRUTINY INCLUDING ETHYL'S. WHILE COMPANY ADMITS TO PERHAPS POOR CHOICE OF REPRESENTATIVE, THERE APPEARS TO BE NO EVIDENCE SUGGESTING ANY WRONGDOING ON THEIR PART. COMPANY HAS MEANWHILE SELECTED NEW AGENT AND HAS APPOINTED COMPETENT INDONESIAN LEGAL COUNSEL WHO FULLY AWARE OF PROBLEM.

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3. IN CONVERSATION WITH SUDARNO LAST SEPTEMBER, EMBOFF INFORMED THAT ETHYL CONTRACT WENT AGAINST NORMAL PERTAMINA PROCEDURE WHICH CALLS FOR COMPETITIVE BIDDING ON IMPORTED GOODS AND SERVICES. ETHYL'S CONTRACT, AS SIGNED BY IBNU, DID STIPULATE THAT SUPPLY OF ANTI-KNOCK COMPOUNDS HAD TO BE AT COMPETITIVE PRICES. SUDARNO ADVISED THAT DUPONT HAD IN FACT SUBMITTED BID AT LOWER PRICES; WE TOLD HIM ETHYL

SEEKING EQUAL CHANCE TO REVISE OR RESUBMIT NEW BID IN
LIGHT OF "CHARGED SITUATION."

4. EMBOFF MET MARCH 4 WITH SINGGIH DARSONO, NEW CHIEF
OF PERTAMINA'S PROCESSING DIRECTORATE WHO IS COMPANY
OFFICIAL MOST DIRECTLY INVOLVED WITH ETHYL CONTRACT.
DARSONO STRESSED THAT COMPANY'S PREVIOUS INVOLVEMENT WITH
LOH HAD CAUSED PROBLEMS FOR ETHYL. HE CLAIMED LOH'S
PARTICIPATION HAD CAUSED INFLATED PROJECT COSTS. DARSONO
ALSO STATED THAT ETHYL HAD BEEN ALLOWED BID ON TWO OC-
CASIONS FOR SUPPLY OF ANTI-KNOCK COMPOUND. BOTH TIMES
DUPONT SUBMITTED LOW OFFER. DARSONO ADVISED OF POSSIBLE
IMAGE PROBLEMS IF PERTAMINA IN FACT FAILED TO LIVE UP
TO TERMS OF SUPPLY AND PURCHASE CONTRACT WITH ETHYL. HE REPLIED
PERTAMINA AWARE OF THIS AND THAT HIS RECOMMENDATION
WAS THAT PERTAMINA PAY BACK PROJECT COSTS TO ETHYL OVER
PERIOD OF TIME FOR CONSTRUCTION OF TERMINAL. DARSONO
SAID HE SO INFORMED DIXON ABOUT TWO WEEKS AGO BUT DIXON
HAD NOT GIVEN REPLY, PREFERRING TO REFER OFFER TO HOME
OFFICE. IN RESPONSE TO QUESTION, DARSONO SAID HE
WOULD BE WILLING SIT DOWN WITH ETHYL TO DISCUSS ABOVE
OFFER. HE GAVE DEFINITE IMPRESSION THAT PERTAMINA WOULD
NOT CHANGE ITS DECISION ON TENDER, HOWEVR. WE TOOK
OCCASION TO STRESS THAT ETHYL HAD MADE GREAT EFFORT
TO IMPROVE ITS IMAGE AND THAT COMPANY SHOULD NOT BE
BALMED FOR PAST SINS.

5. ETHYL APPARENTLY NOW ATTEMPTING SEE SUMARLIN VIA
THEIR LAWYER TO EXPLAIN SITUATION AND HOPEFULLY HAVE
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THEIR NAMED "CLEARED." (SUMARLIN IS CHARGING SPECIAL
TEAM EXAMINING ROBIN LOH'S ACTIVITIES IN INDONESIA
WHICH REPORTEDLY INCLUDE NON-PAYMENT OF SALARIES FOR
SEVERAL HUNDRED INDONESIAN WORKERS AT BATAM ISLAND.)
NEWSOM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTES, CONTRACTS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
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Executive Order: N/A
Errors: N/A
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